

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

ROBERT SCOT JAMES)
and CORE2000 LLC,)
)
Plaintiffs,)
)
v.) C.A. No. _____
)
HONORS HOLDINGS, LLC,)
)
Defendant.)

COMPLAINT

Plaintiffs Robert Scot James and Core2000 LLC, for their Complaint against Defendant Honors Holdings, LLC, state:

PRELIMINARY STATEMENT

1. This is a simple breach of contract case. Plaintiff Core2000 LLC (“Core2000”) and four affiliated companies (collectively, “Sellers”) sold Defendant their Orangetheory® Fitness studios and related assets (collectively, the “Studios”). The asset purchase agreement provided for \$9,000,000 of the purchase price to be paid over time in four deferred payments (the “Deferred Payments”). Defendant made the first two Deferred Payments, which paid all of the Sellers in full except Core2000. (These paid-in-full Sellers are referred to below as the “Other Sellers.”) Defendant has not paid the final Deferred Payments owed to Core2000, the principal of which totals \$5,500,000.

THE PARTIES

2. Plaintiff Robert Scot James is a natural person who is a resident and citizen of Florida. He was appointed as the Sellers' "Representative" and attorney-in-fact under Section 8.15 of the APA. He brings this case in his representative capacity and as such, has the power

and authority to enforce the claims in this case on Core2000's behalf. Plaintiff James owns a 50% membership interest in Core2000.

3. Core2000 is a Mississippi limited liability company owned and managed by Plaintiff James and his wife, Elizabeth McKnight James, who are both residents of Florida.

4. Defendant is a Georgia limited liability company with a principal place of business in Georgia that owns more than 140 Orangetheory® Fitness franchised studios, including the Studios at issue in this case. Defendant's sole member is a corporation which is incorporated in Delaware and has its principal place of business in Massachusetts.

JURISDICTION AND VENUE

5. The citizenship of unincorporated associations such as limited liability companies is determined by the citizenship of their members. As Core2000's members are Florida citizens, and Defendant's sole member is a citizen of Delaware and Massachusetts, this Court has jurisdiction over the subject of this action under 28 U.S.C. § 1332 because the parties have complete diversity of citizenship and the amount in controversy exceeds \$75,000, exclusive of interest and costs.

6. This Court has personal jurisdiction over the parties and venue is proper in this Court because, under Section 8.6 of the APA,

“Each Party hereby irrevocably submits to personal and exclusive jurisdiction in any federal court in the State of Delaware (assuming federal court diversity jurisdiction Applies...), acknowledges that such jurisdiction is proper, and waives any and all objections as to venue, inconvenient forum and the like.”

GENERAL ALLEGATIONS

7. Sellers sold the Studios to Defendant pursuant to an asset purchase agreement dated as of May 16, 2022 (the “APA”). Sellers’ individual members (Plaintiff James, Elizabeth McKnight James, Joseph D. Pegram and Martine Mahoney) executed the APA as “Seller Principals,” but were not entitled to receive any part of the purchase price. The purchase price was paid and payable only to the Sellers.

8. As required by Exhibit J (3) to the APA, Defendant paid the first two Deferred Payments totaling \$3,500,000, as specified by Plaintiff James for distribution to the Other Sellers, consistent with the allocation set forth on Schedule I to the APA. As noted above, those payments paid the Other Sellers (LLCs in which Joseph Pegram and Martine Mahoney were members) in full. The two remaining Deferred Payments, totaling \$5,500,000, were required to be paid to Plaintiff James (in his capacity as Representative), for distribution to Core2000, the only Seller that has not been paid in full.

9. Pursuant to Section 2 of Exhibit J to the APA, prior to an “Event of Default,” interest accrued on the outstanding principal balance of the Deferred Payments at 5% per annum until paid. Defendant paid the interest due through February 28, 2023, but has made no further payment to Plaintiffs.

10. The third Deferred Payment of \$3,500,000 plus accrued interest was due on March 16, 2023. Defendant failed to make that payment on that date, and indeed, has not paid it to date.

11. Pursuant to Section 2(b) of Exhibit J to the APA, Defendant’s failure to make the third Deferred Payment within the contractual five-business-day grace period (*i.e.*, by March 23, 2023) constituted an Event of Default and caused the interest rate on the outstanding total

principal balance of the Deferred Payments (*i.e.*, \$5,500,000) to increase to 15% per annum from March 24, 2023 until paid in full.

12. The fourth installment of \$2,000,000, plus accrued interest, was due on May 16, 2023. Again, Defendant failed to pay it within the five-business-day grace period provided under the APA and, again, has not paid any part of it to date.

13. On May 16, 2023, Plaintiff James notified Defendant that, due to the Event of Default resulting from Defendant's failure to make the third Deferred Payment by March 23, 2023: (a) the outstanding balance of the Deferred Payments, together with all interest due thereon, was immediately due and payable pursuant to the terms of the APA; and (b) Plaintiff James intended to exercise all of his and Core2000's rights and remedies for default if the outstanding balance of the Deferred Payments was not paid in full by May 23, 2023. Defendant failed to pay said balance or any part of it.

COUNT I - BREACH OF CONTRACT

14. Plaintiffs hereby incorporate by reference as if fully set forth herein the preceding paragraphs of this Complaint.

15. The APA is a valid, binding, and unambiguous contract supported by consideration.

16. Plaintiffs, the Other Sellers and the Seller Principals have fully performed all of their obligations under the APA, and have satisfied all conditions precedent, if any, to the filing of this Complaint.

17. Defendant's breach of its obligations under the APA, as set forth above, have damaged Plaintiffs in the principal amount of \$5,500,000, plus interest on said principal: (a)

from March 1, 2023 through March 23, 2023 at 5% per annum; and (b) from March 24, 2023 until paid in full at 15% per annum.

18. Pursuant to Section 8.8 of the APA, Plaintiffs are entitled to recover their attorneys' fees and costs incurred in enforcing their rights under the APA, including fees and costs incurred in this litigation and in prior negotiations related to the breaches described in this Complaint.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray that this Court enter judgment for Plaintiffs as follows:

- a. Damages in the principal amount of \$5,500,000;
- b. Prejudgment interest on said sum from March 1, 2023 – March 23, 2023 at 5% per annum;
- c. Prejudgment interest on said sum from March 24, 2023, until entry of judgment at 15% per annum;
- d. Plaintiffs' costs, disbursements and attorneys' fees;
- e. Post-judgment interest on the total sum of subparagraphs a – d at 15% per annum until paid in full; and
- f. All such other relief that the Court deems just and proper.

[Signature follows on next page]

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